



Patrick W. Henning, Director

July 21, 2009

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Arnold Schwarzenegger
Governor

Ms. Madalyn Blake, Director
Community Development and Housing Department
Verdugo Consortium
1255 S. Central Avenue
Glendale, CA 91204

Dear Ms. Blake:

WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2008-09

This is to inform you of the results of our review for Program Year (PY) 2008-09 of the Verdugo Consortium's (Verdugo) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Mr. Jim Tremblay from April 13, 2009, through April 17, 2009. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, cost/resource sharing, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients, and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, contract terms and agreements, and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by Verdugo with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2008-09.

We collected the information for this report through interviews with representatives of Verdugo, a review of applicable policies and procedures, and a review of documentation retained by Verdugo for a sample of expenditures and procurements for PY 2008-09.

We received your response to our draft report on July 2, 2009, and reviewed your comments and documentation before finalizing this report. Finding 1 was resolved before the draft report was released. Because your response adequately addressed finding 2 cited in the draft report, no further action is required at this time. However, this issue will remain open until Verdugo provides the Compliance Review Office (CRO) with additional information and we are able to verify the implementation of your stated corrective action plan during a future onsite review. Until then, this finding is assigned Corrective Action Tracking System (CATS) number 90168.

Conversely, Verdugo did not adequately address finding 3 cited in the draft report, and we consider this finding unresolved. We request that Verdugo provide CRO with additional information to resolve the issue that led to the finding. Therefore, this finding remains open and has been assigned CATS number 90169.

BACKGROUND

Verdugo was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2008-09, Verdugo was allocated: \$678,846 to serve 5,196 adult participants; \$601,921 to serve 224 youth participants; and \$780,807 to serve 1,095 dislocated worker participants.

For the quarter ending December 31, 2008, Verdugo reported the following expenditures and enrollments for its WIA programs: \$159,260 to serve 3,731 adult participants; \$83,503 to serve 203 youth participants; and \$126,297 to serve 939 dislocated worker participants.

FISCAL REVIEW RESULTS

While we concluded that, overall, Verdugo is meeting applicable WIA requirements concerning financial management; we noted instances of noncompliance in the following areas: Accrual reporting and Memorandum of Understandings/Resource Sharing Agreements (MOU/RSA). The findings that we identified in these areas, our recommendations, and Verdugo's proposed resolution of the findings are specified below.

FINDING 1

Requirement: 20 CFR, Section 667.300(c)(3) states, in part, that reported expenditures must be on the accrual basis of accounting. If the recipient's accounting records are not normally kept on the accrual basis of accounting, the recipient must develop accrual information through an analysis of the documentation on hand.

WIA Directive WIAD06-4 states, in part, that all WIA recipients are required to report expenditures on an accrual basis of accounting and must submit Quarterly Expenditures Reports. Accrued expenditures are defined as the charges incurred and recorded, but not yet paid for during a report period requiring the provision of funds by the grantee or subgrantee for services performed by employees, contractors, subgrantees, subcontractors, and other payees.

Observation:

We observed that Verdugo does not report accruals for subrecipients that are providing WIA services but not requesting cash reimbursement for these expenditures. Specifically, while Verdugo requires its subrecipients to report expenditures and request cash on a quarterly basis, it does not accrue any subrecipient expenditure when they fail to request cash during a quarter.

Subsequent to our onsite review, Verdugo submitted a copy of its March WIA Expenditure Reports on April 20, 2009 and accruals were reported for the 3rd quarter for its WIA programs.

Therefore, we considered this issue resolved.

FINDING 2

Requirement:

20 CFR, Section 662.300(a) states, in part, that the MOU is an agreement developed and executed between the Local Board with the agreement of the chief elected official, and the One-Stop partners relating to the operation of the One-Stop delivery system in the local area.

20 CFR, Section 662.270 states, in part, that the MOU must describe the particular funding arrangements for services and operating costs of the One-Stop delivery system. Each partner must contribute a fair share of the operating costs of the One-Stop delivery system proportionate to the use of the system by individuals attributable to the partner's program.

WIAD06-21 states, in part, that each Local Board shall develop a policy for identifying individuals who, because of their skills or experience, should be referred immediately to training services. This policy, along with the methods of referral of individuals

between the One-Stop operators and the One-Stop partners, for appropriate services and activities, shall be contained in the MOU between the Local Board and the One-Stop partners.

Observation:

We found that Verdugo's MOU/RSAs do not accurately describe the particular funding arrangements for services and operating costs of the One-Stop delivery system. In some instances, MOU/RSAs have not been established with some of Verdugo's One-Stop partners. Specifically, of the nine One-Stop partners that have currently signed Verdugo WIB's MOU/RSAs:

- Two partners (Glendale Community College and City of Glendale Housing Authority) no longer use office space at the Verdugo Job Center as indicated in the MOU/RSA;
- Two partners (Glendale Community College and City of Glendale Housing Authority) currently identified in the MOU/RSA as paying rent, no longer have office space in the Verdugo Job Center;
- One new partner (Glendale Youth Alliance) that is currently being considered to occupy office space at the Verdugo Job Center does not currently have an MOU/RSA with the Verdugo Workforce Investment Board (WIB); and
- One partner (Glendale Housing Life RAP Program) is currently occupying space in the Verdugo Job Center but does not have an MOU/RSA with the Verdugo WIB.

Finally, the role and commitments of the remaining partners (Los Angeles County Department of Public Social Services, SER Jobs for Progress, Path Achieve Glendale, and CHARO Redevelopment Corp.) should also be re-evaluated in the process of updating the WIB's current MOU/RSAs. In addition, the MOUs do not currently reflect the WIAD06-21 requirement whereby some WIA participants can be immediately enrolled into training services.

Recommendation:

We recommended that Verdugo provide a corrective action plan (CAP) and a timeline to CRO to review and update its MOU/RSAs with its current One-Stop partners to ensure that the MOU/RSAs accurately describes the current funding arrangements for services and operating costs of the Verdugo One-Stop delivery system. Furthermore, we recommended that Verdugo provide a signed copy of the updated MOU/RSAs to CRO when the updating process is completed.

Verdugo Response: Verdugo stated that it will review and update its MOU/RSAs with all of its current One-Stop partners to ensure that the MOU/RSAs accurately reflect the funding arrangements for services and operating costs of the Verdugo One-Stop delivery system. This will be completed by October 31, 2009. In addition, the MOU/RSAs will reflect the WIAD06-21 requirements whereby some WIA participants can be immediately enrolled into training services.

State Conclusion: Verdugo's stated corrective action should be sufficient to resolve this issue and no further corrective action is required. However, we cannot close this issue until Verdugo provides CRO with a copy of its updated MOU/RSAs with all of its current One-Stop partners. Until then, this issue remains open and has been assigned CATS number 90168.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, Verdugo is meeting applicable WIA requirements concerning procurement; we noted an instance of noncompliance in the area of property inventory. The finding that we identified in this area, our recommendation, and Verdugo's proposed resolution of the finding is specified below.

FINDING 3

Requirement: 29 CFR, Section 97.32 states, in part, that States will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures.

WIAD03-9 states, in part, that equipment inventory records shall include the following information:

- Funding source
- Title holder
- Percentage of federal participation
- Acquisition date, and
- Acquisition cost

Observation: While a blank form attached to Verdugo's property inventory procedures includes all the data fields required to be tracked during a property inventory, the actual inventory conducted for

PY 2008-09 was missing the following required data fields: funding source; title holder, percentage of federal participation, acquisition date, and acquisition cost.

Recommendation: We recommended that Verdugo submit a CAP with a timeline to CRO to revise its PY 2008-09 Property Inventory to identify all required data fields and secure the information for the missing data for the equipment listed in the inventory. We also recommended that Verdugo submit a copy of the revised PY 2008-09 Property Inventory to CRO when the revision is completed. Finally, we recommended that Verdugo ensure that all required data fields are included in all future property inventories.

Verdugo Response: Verdugo provided a copy of its revised PY 2008-09 property inventory list which included the required data fields. It also provided a blank form containing all the required data fields that will be used for future property inventories.

State Conclusion: Based on Verdugo's response, we cannot resolve this issue at this time. While the revised PY 2008-09 property inventory included all required data fields, Verdugo did not provide appropriate data for the listed equipment for two data fields: funding source and percent of Federal participation. The columns for these data fields were left blank. We recommend that Verdugo provide CRO the necessary data for the two data fields for all listed equipment. Until then, this finding will remain open and has been assigned CATS number 90169.

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Office your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than August 18, 2009. Please submit your response to the following address:

Compliance Monitoring Section
Compliance Review Office
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Ms. Madalyn Blake

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July 21, 2009

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all the areas included in our review. It is Verdugo's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain Verdugo's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact me at (916) 653-7541 or Mr. Jim Tremblay at (916) 654-7825.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jessie Mar".

JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Larry Scaramella, MIC 50
Daniel Patterson, MIC 45
Jose Luis Marquez, MIC 50
Georganne Pintar, MIC 50